

# **PUBLIC DISCLOSURE**

February 6, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Merrick Bank  
Certificate Number: 34519

10705 S. Jordan Gateway, Suite 200  
South Jordan, Utah 84095

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
San Francisco Regional Office

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San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **INSTITUTION RATING**

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Merrick Bank (MB) operated under two five-year FDIC-approved Community Reinvestment Act (CRA) Strategic Plans (Plan) during the evaluation period. The evaluation covers Plan years 2020, 2021, and 2022. Plan One was in place from January 2017 through December 2021 and Plan Two became effective in January 2022 and is valid until December 2026.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. In addition, MB did not receive any CRA-related complaints. The following points summarize MB's performance during the review period.

### **PLAN ONE PERFORMANCE**

MB's CRA performance under Plan One represents an outstanding record of helping to meet the credit needs of its assessment area (AA), in a manner consistent with its resources and capabilities. The following support this rating:

- MB exceeded the outstanding threshold for community development (CD) loans and investments goal in 2020 and 2021.
- MB exceeded the outstanding threshold for CD donations goal in 2020 and 2021.
- MB exceeded the satisfactory threshold for CD service hours goal in 2020 and 2021.

### **PLAN TWO PERFORMANCE**

MB's CRA performance under the current Plan represents an outstanding record of helping to meet the credit needs of its AA, in a manner consistent with its resources and capabilities. The following support this rating:

- MB exceeded the outstanding threshold for CD loans and investments goal in 2022.
- MB exceeded the outstanding threshold for CD donations goal in 2022.
- MB exceeded the satisfactory threshold for CD service hours goal in 2022.

## DESCRIPTION OF INSTITUTION

MB is a \$5.9 billion dollar bank headquartered in South Jordan, Utah, where the single office is located. MB is a wholly owned subsidiary of CardWorks Inc., headquartered in Woodbury, New York. MB has two affiliates: CardWorks Servicing, LLC and Carson Smithfield, LLC. MB's affiliates offer customer service, debt collection-related activities, and other similar services for the bank, but do not extend credit to consumers. MB has not been involved in any mergers or acquisitions since the previous CRA evaluation.

MB received an Outstanding rating using the Interagency Strategic Plan Examination Procedures at the previous FDIC CRA Performance Evaluation conducted on January 21, 2020. Examiners reviewed the bank's approved five-year CRA Plan from January 2017 through December 2021 and how the bank fulfilled the Plan's measurable goals for years of 2018 and 2019. An outstanding performance was assigned under the approved Plan for all criteria reviewed in both years.

MB's business focus is originating non-residential loan products. Lending options include credit cards and recreational vehicle loans. The bank also offers merchant payment card settlement services. Furthermore, MB offers the following accounts: brokered and non-brokered time deposits, health savings account deposits, and brokered money market deposits. MB does not operate any branches or automated teller machines and has not opened or closed any offices since the previous evaluation.

As of the December 31, 2022 Consolidated Report of Condition and Income (Call Report), MB reported total assets of \$5.9 billion. Total deposits were \$4.6 billion and total loans and leases were nearly \$4.8 billion, with consumer loans representing the entire lending portfolio, which is shown in the table below:

<b>Loan Portfolio Distribution as of 12/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>(%)</b>
Construction, Land Development, and Other Land Loans	-	-
Secured by Farmland	-	-
Secured by 1-4 Family Residential Properties	-	-
Secured by Multifamily (5 or more) Residential Properties	-	-
Secured by Nonfarm Nonresidential Properties	-	-
<b>Total Real Estate Loans</b>	-	-
Commercial and Industrial Loans	-	-
Agricultural Production and Other Loans to Farmers	-	-
Consumer Loans	4,751,923	100.0
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	-	-
Lease Financing Receivable (net of unearned income)	-	-
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>4,751,923</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect MB's ability to meet the AA's credit needs.

## DESCRIPTION OF ASSESSMENT AREA

MB's AA includes Salt Lake County, which is one of the two counties that form the Salt Lake City Metropolitan Statistical Area (MSA #41620). The bank's AA remains the same as the previous CRA evaluation and does not arbitrarily exclude any low- and moderate-income (LMI) geographies. Examiners relied on information from U.S. Bureau of Labor Statistics, 2020 American Community Survey (ACS), 2022 D&B, bank records, public information, and one community contact for this evaluation.

### **Economic and Demographic Data**

During the previous evaluation, the AA was composed by 212 census tracts (CTs) according to the 2015 ACS. Following the demographic changes implemented by the 2020 ACS, that became effective for the 2022 year, the AA is currently composed of 251 CTs. The AA reflects the following income designations: 5 low-income, 56 moderate-income, 115 middle-income, 71 upper-income, and 4 no income available.

The following table illustrates relevant demographic information of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	251	2.0	22.3	45.8	28.3	1.6
Population by Geography	1,185,238	2.0	22.4	46.4	28.6	0.6
Housing Units by Geography	404,550	1.8	24.2	46.3	27.7	0.1
Owner-Occupied Units by Geography	258,905	0.7	17.9	47.6	33.9	0.0
Occupied Rental Units by Geography	124,419	4.0	36.4	44.6	14.7	0.2
Vacant Units by Geography	21,226	3.4	29.1	39.8	27.7	0.0
Businesses by Geography	173,813	2.1	16.3	44.7	35.9	0.9
Farms by Geography	2,530	1.6	18.0	44.4	35.6	0.4
Family Distribution by Income Level	265,385	17.8	19.1	23.4	39.7	0.0
Household Distribution by Income Level	383,324	21.1	17.3	20.4	41.2	0.0
Median Family Income MSA - #41620 Salt Lake City, UT MSA		\$90,360	Median Housing Value			\$347,355
			Median Gross Rent			\$1,178
			Families Below Poverty Level			5.6%
Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification.						

According to data published by the U.S. Bureau of Labor Statistics (BLS), the main nonfarm employer sectors in Salt Lake City metropolitan area are trade, transportation, and utilities; professional and business services; government; and education and health services. Although the unemployment rate

within Salt Lake County and the state of Utah increased in 2020 due to the Covid-19 pandemic, they remained below the national average. According to the BLS data, around 46.0 percent of employment in Utah is within the Salt Lake County area. Since 2020, the local unemployment rate improved and is now lower than the pre-pandemic period.

Unemployment Rates				
Area	2019 (%)	2020 (%)	2021 (%)	2022 (%)
Salt Lake County	2.5	5.1	2.8	2.1
State Average	2.6	4.7	2.7	2.1
National Average	3.7	8.1	5.4	3.6
<i>Source: Bureau of Labor Statistics</i>				

According to the 2021 Consumer Expenditure Survey conducted by BLS, on average the population in the region spends more on housing, transportation, and food when compared to the national population. However, the average wages of all occupations in Salt Lake City is slightly below the national average.

### **Competition**

According to the June 30, 2022 FDIC Deposit Market Share report, 46 financial institutions operate 202 branches and manage \$804.0 billion in deposits throughout MB's AA. MB ranked 15<sup>th</sup> with 0.4 percent market share. The top three banks in the area are Morgan Stanley Bank, Ally Bank, and UBS Bank USA, accounting for 52.5 percent of the market share.

### **Community Contact(s)**

Examiners reviewed one community contact to assist in identifying the AA's credit needs. The community contact worked in an organization that focuses on economic development in Salt Lake County. This information helped to determine whether local financial institutions are responsive to those needs. It also shows what CD opportunities are available.

According to the community contact, affordable housing is one of the main issues in the area. Housing and rental prices have increased significantly in the previous years. The low supply of affordable housing furthers the issue. Furthermore, the community contact stated that the lack of financial readiness of small businesses seeking credit is an impediment to small business lending. The community contact indicated that, although lenders are willing to extend credit to small businesses, many times small businesses lack preparedness in applying for credit.

### **Credit and Community Development Needs and Opportunities**

Based on economic data and information from the community contact, examiners determined that affordable housing represents the primary credit and CD need in the AA. In addition, there are opportunities in the AA for providing financial assistance to small businesses.

## **SCOPE OF EVALUATION**

### **General Information**

This performance evaluation covers the period from the previous evaluation date of January 21, 2020, to the current evaluation date of February 6, 2023. Examiners used the Interagency Procedures for Institutions with Strategic Plans to evaluate MB's CRA performance. MB operated under two five-year FDIC-approved CRA Plans during the evaluation period. Plan One was in effect from January 2017 through December 2021, and Plan Two is in effect from January 2022 through December 2026.

### **Activities Reviewed**

Examiners have reviewed various bank records and documentation to determine if the bank met the goals established in the two Plans. Examiners reviewed the bank's CD loans and investments, qualified donations, and CD service hours for the years of 2020, 2021, and 2022. The bank's goals and performance are presented within the Conclusions on Performance Criteria section.

## CONCLUSIONS ON PERFORMANCE CRITERIA

MB's CRA performance reflects an Outstanding performance in helping to meet the credit needs of the designated AA in a manner consistent with the measureable goals established in the Plans.

### PLAN ONE PERFORMANCE

MB's CRA performance under Plan One reflects outstanding performance, as it met the outstanding threshold for three of the four goals and the satisfactory threshold for one goal established for 2020 and 2021. Plan One consisted of four different CD activity goals for each plan year, with two goals related to loans and investments, one to qualified donations, and one to service hours. The sections below describe the Plan's specific goals and the bank's performance with respect to each.

#### Community Development Lending and Investment

Plan One included two separate CD lending and investment goals. The first goal required that the bank maintained 1.35 percent and 1.90 percent of its average total assets of the prior year in combined CD loans and investments for a satisfactory and an outstanding performance, respectively. This was calculated by taking the outstanding book value of CD loans and investments made during the evaluated year and dividing it by the average of total assets of each quarter of the preceding year, which was reported on line 9 of schedule RC-K of the Call Reports. MB exceeded the outstanding threshold for each year reviewed.

The second CD lending and investment goal was related to new loans and investments made during each plan year. This goal was calculated by taking the purchase price of the new loans and investments made each year and dividing it by the average of total assets for each quarter in the previous year, which was reported on line 9 of schedule RC-K of the Call Reports. To reach a satisfactory performance in each plan year, MB needed to make CD loans and investments that represented 0.40 percent of its average total assets. For outstanding performance, CD loans and investments needed 0.75 percent of average total assets in 2020 and 0.80 percent of its average total in 2021. The bank exceeded the outstanding threshold for both plan years.

The tables below demonstrates the bank's performance for its CD lending and investment goals for Plan One.

Combined Community Development Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory	Outstanding	Combined Loans/Investments	Average Total Assets	Actual Performance
	(%)	(%)	(000's)	(000's)	(%)
2020	1.35	1.90	76,839	3,895,686	1.97
2021	1.35	1.90	88,379	4,144,368	2.13
Source: Bank Records, CRA Plan, and Call Reports					



New Community Development Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory	Outstanding	New Loans/Investments	Average Total Assets	Actual Performance
	(%)	(%)	(000's)	(000's)	(%)
2020	0.40	0.75	39,647	3,895,686	1.02
2021	0.40	0.80	48,575	4,144,368	1.17
<i>Source: Bank Records, CRA Plan, and Call Reports</i>					

Below are notable examples of CD loans and investments MB made during the evaluation period:

- In 2021, MB invested \$13.9 million in different Federal Home Loan Mortgage Corporation pools that extends credit for financing home purchases at lower costs to LMI borrowers.
- MB made \$12.0 million in deposits at minority depository institutions in 2020 and 2021 combined.
- The bank has an annual commitment with a community reinvestment corporation, which focuses on lending to LMI individuals and underserved communities within the Rocky Mountain region. The bank renewed the \$12.0 million commitment in 2020 and extended the commitment to \$15.0 million in 2021.

### **Community Development Donations**

MB established a dollar amount threshold for qualified donations for each plan year. The bank exceeded the outstanding threshold for 2020 and 2021. The bank's goals and performance under each plan year are shown in the table below and support the overall rating.

Community Development Donations			
Plan Year	Bank Established Goals		Bank Performance
	Satisfactory (\$)	Outstanding (\$)	CD Donations (\$)
2020	200,000	275,000	316,591
2021	200,000	275,000	298,745
<i>Source: Bank Records, CRA Plan, and Call Reports</i>			

MB is involved with several non-profit organizations that benefit LMI individuals in areas such as educational, health, nutritional, and shelter.

Below are notable examples of qualified donations MB made during the evaluation period:

- In 2020, MB donated \$20,000 to an organization that helps homeless Utah residents to improve their health and quality of life by providing health care and other support services.
- MB donated \$1,750 in 2020 and \$20,000 in 2021 to an organization that focuses on building affordable homes and repairing homes that help to revitalize LMI communities.
- The bank donated \$70,000 in 2020 and \$15,000 in 2021 to a Utah food bank.

## **Community Development Services**

MB set a yearly goal of 3 CD service hours for each full-time employee for a satisfactory performance and 4 CD service hours for each full-time employee for an outstanding performance. Considering the number of full-time employees at year-end 2020, the bank would need to provide 702 CD service hours to achieve a satisfactory performance and 936 CD service hours to reach outstanding performance. In 2021, 768 CD service hours would be necessary to attain a satisfactory performance, while 1,024 CD service hours would be required for outstanding performance. Due to the restrictions on in-person meetings caused by the Covid-19 pandemic, management encountered difficulties in finding CD services options. However, the bank still exceeded the satisfactory threshold in 2020 and 2021. The performance in the following table is consistent with the overall rating.

<b>Community Development Services</b>			
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>
	<b>Satisfactory</b>	<b>Outstanding</b>	<b>CD Service Hours</b>
2020	702	936	748
2021	768	1,024	814
<i>Source: Bank Records, CRA Plan, and Call Reports</i>			

Below are notable examples of CD service activities MB provided during the period reviewed:

- In 2020 and 2021, several members of MB's staff participated in an after school-mentoring program, which provided financial literacy, career, and nutritional support to youths-in-need.
- MB personnel provided income tax assistance for LMI individuals and families.
- MB's personnel participated in loan and credit committees of organizations that provide microloan funds to small businesses and affordable housing.

## **PLAN TWO PERFORMANCE**

MB's CRA performance under Plan Two reflects outstanding performance and supports the overall rating. The bank met the outstanding threshold for two of the three goals established in the Plan and satisfactory performance for one goal. Plan Two consisted of three different goals for each plan year related to CD loans and investments, qualified donations, and service hours. The sections below describe the Plan's specific goals and the bank's performance.

### **Community Development Lending and Investment**

For Plan Two, the CD lending and investment goal encompassed new loans and investments made during the 2022 plan year. The goal was calculated by taking the commitment amount of the loans and investments made in 2022 and dividing it by the average of total assets in each quarter of 2021, as reported on line 9 of schedule RC-K of the Call Reports. The bank needed to make yearly CD loans and investments of no less than 0.50 percent of the average of total assets for a satisfactory

performance and 0.75 percent for an outstanding performance. The bank exceeded the outstanding threshold the plan year.

The table below demonstrates the bank’s performance with respect to each of its CD lending and investment related goals for Plan Two.

New Community Development Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory	Outstanding	New Loans/Investments	Average Total Assets	Actual Performance
	(%)	(%)	(000’s)	(000’s)	(%)
2022	0.50	0.75	37,277	4,705,374	0.79
<i>Source: Bank Records, CRA Plan, and Call Report</i>					

Below are notable examples of CD loans and investments MB made during the evaluation period:

- MB contributed \$10.7 million to federally backed home mortgage companies’ pools to aid financing affordable housing.
- The bank made \$3.0 million in deposits at minority depository institutions.
- MB extended the commitment with a community reinvestment corporation, which focuses on lending to LMI individuals and underserved communities to \$18.0 million.

### **Community Development Donations**

MB established a dollar amount threshold for qualified donations for each plan year. The bank exceeded the outstanding threshold for 2022. The bank’s goals and performance under Plan Two is shown in the below table and supports the overall rating.

Community Development Donations			
Plan Year	Bank Established Goals		Bank Performance
	Satisfactory (\$)	Outstanding (\$)	CD Donations (\$)
2022	300,000	400,000	409,500
<i>Source: Bank Records, CRA Plan, and Call Report</i>			

Below are notable examples of qualified donations MB made during the evaluation period:

- MB donated to programs that benefited LMI students in the areas of financial literacy and other life skills to prepare them for the job market.
- In addition, the bank awarded LMI undergraduate students with scholarships to assist with tuition.
- The bank donated money to provide training and credit to small businesses that did not qualify for traditional funding.

## **Community Development Services**

MB set a goal of 3.5 CD service hours for each full-time employee for a satisfactory performance and 4.5 CD service hours for an outstanding performance. Considering the number of full-time employees at 2022 year-end, 1,159 hours and 1,490 hours would be necessary to reach a satisfactory and an outstanding performance, respectively. MB exceeded the satisfactory threshold in 2022. The performance is consistent with the overall rating and is shown in the following table.

<b>Community Development Services</b>			
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>
	<b>Satisfactory</b>	<b>Outstanding</b>	<b>CD Service Hours</b>
2022	1,159	1,490	1,346
<i>Source: Bank Records, CRA Plan, and Call Report</i>			

Below are notable examples of CD service activities MB provided during the period reviewed:

- Various employees held Board of Directors positions in different organizations that focus on affordable housing, educational goals, career development, and health services to LMI students, individuals, and families.
- MB staff provided over 1,108 hours to organizations that delivered educational services to LMI students.
- MB personnel continued to provide income tax assistance for LMI individuals and families.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.



Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.